STATE OF NORTH DAKOTA

BEFORE THE COMMISSIONER OF INSURANCE

In the Matter of the Proposed Acquisition of Control of SafeCard Services Insurance Company by Affinity Acquisitions, Inc.	))))	**RECOMMENDED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER APPROVING THE ACQUISITION FILE NO. CO-05-167**

INTRODUCTION

On August 10, 2005, a statement, also known as a Form A, regarding the acquisition of control of Safecard Services Insurance Company by Affinity Acquisition, Inc., was filed with the North Dakota Insurance Commissioner. Affinity Acquisition, Inc. also filed a supplemental statement with the Commissioner on September 13, 2005, regarding additional details and information requested by the Department concerning the proposed acquisition.

Affinity Acquisition, Inc., Affinity Acquisition Holdings, Inc., Cendant Corporation, Safecard Services Insurance Company, and the sole policyholder of Safecard, the Trilegiant Corporation, requested that the hearing provided for by N.D. Cent. Code § 26.1-10-03(4) be waived and gave their consent to waive said hearing. Pursuant to the authority provided by N.D. Cent. Code § 26.1-10-03(4), the Commissioner issued an Order on September 28, 2005, waiving the hearing on the proposed acquisition.

The matter of the acquisition of control of Safecard Services Insurance Company by Affinity Acquisition, Inc. has been considered based upon the Form A and the supplemental filing provided by the Applicant as well as other documents filed with the Commissioner and made a part of the record.

Charles E. Johnson, in the capacity of Hearing Officer, after considering and reviewing all the documents, instruments, and materials filed herein, hereby makes the following Recommended Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

Applicant's Background and Significant Affiliates

I.

Affinity Acquisition, Inc. is a Delaware corporation, formed on July 14, 2005, for the purpose of acquiring Cendant Marketing Group, L.L.C.

II.

Affinity Acquisition Holdings, Inc. a Delaware corporation, is the direct parent and owner of 100 percent of the voting securities of Affinity Acquisition, Inc.

III.

The common stock of Affinity Acquisition Holdings, Inc. is owned principally by Apollo Investment Fund V, L.P., a Delaware limited partnership (approximately 86%), and by Apollo Overseas Partners V, L.P., a Cayman Islands limited partnership (approximately 11%). The balance of Affinity Acquisition Holdings, Inc., is held by three other affiliated co-investment partnerships (total of approximately 3%) established as foreign investment partnerships.

IV.

Affinity Acquisition, Inc. is not owned or financially controlled by any foreign government outside the United States.

V.

The general partner of the Apollo Investment Fund V, L.P. is Apollo Advisors V, L.P.

VI.

The managing general partner of Apollo Overseas Partners V, L.P. is Apollo Advisors V, L.P.

VII.

Apollo Advisors V, L.P. delegates its general and managing general partnership functions to Apollo Management V, L.P.

VIII.

Apollo Advisors V, L.P. is a Delaware limited partnership whose general partner is Apollo Capital Management V, Inc.

IX.

Apollo Capital Management V, Inc. is a Delaware corporation which is owned by Leon D. Black ("Black").

X.

Apollo Management V, L.P. is a Delaware limited partnership. Its general partner is AIF V Management, Inc., a Delaware corporation.

XI.

AIF V Management, Inc. is a Delaware corporation owned by Black.

XII.

In the early 1990s, Black and other principals of Apollo Advisors, L.P. (together with a related investment management entity, "Apollo") advised certain financial institutions in connection with certain transactions relating to the rehabilitation of the Executive Life Insurance Company ("Executive Life") before the California Superior Court in Los Angeles County, with the California Insurance Commissioner as Rehabilitator. As part of the rehabilitation of

Executive Life, Executive Life's high-yield bond portfolio was sold to a French financial institution that was ultimately controlled by the government of France, and the remaining Executive Life policies were restructured into a new insurance company which was owned in part by certain French investors. Some of the investors in the successor insurance company were parties to various undisclosed arrangements that violated federal banking laws, as well as the California Insurance Code and related rules and regulations that restricted ownership of domestic insurance companies by banks and entities controlled by foreign governments "collectively, the "ELIC Transactions").

XIII.

The ELIC Transactions have been investigated by the U.S. Attorney's Office of the Central District of California, the California Department of Insurance and the California Attorney General (the "California AG"). Neither Black nor Apollo was included as a defendant in the civil action first commenced in 1999 by the California Insurance Commissioner against certain of the French parties (the "French Defendants") involved in the ELIC Transactions, and neither was the subject or target of the criminal proceedings conducted by the U.S. Attorney's Office. Black and Apollo cooperated with the California Insurance Department and federal authorities in their investigations into the ELIC Transactions. In 2001, the California Insurance Commissioner released Black and Apollo from all claims respecting the ELIC Transactions and represented that he (i) had no basis or evidence of wrongdoing by Black or Apollo respecting the ELIC Transactions, and (ii) was not aware of any evidence showing that Black or Apollo was aware of the undisclosed arrangements among certain of the French Defendants relating to the ELIC Transactions. The California Insurance Commissioner's action against the certain of the French Defendants in 2005 was tried in 2005. As indicated, neither Black nor Apollo was a party to that litigation. In 2002, in a separate lawsuit originally commenced by the California AG in 1999, the California AG amended his complaint to (among other things) add Black and Apollo as additional defendants. Later in 2002, the California AG's claims were dismissed with prejudice by the Federal District Court. The California AG then appealed to the United States Court of Appeals for the Ninth Circuit and requested certification to the California Supreme Court of certain questions of first impression under California law respecting the California AG's ability to assert claims respecting the ELIC Transactions. In August 2005 the California Supreme Court ruled that the California AG did not have standing to assert the vast majority of the claims he was trying to assert. In September 2005 the California AG requested the Ninth Circuit dismiss his appeal against all parties, including Black and Apollo. Upon the court's entry of the dismissal of the appeal, the District Court's order dismissing the California AG's claims with prejudice will be rendered final.

XIV.

The fact that the California Insurance Commissioner did not commence any action against Leon Black or Apollo Advisors, L.P. suggests that these parties were not aware of or engaged in concealing or disguising the interest of the prohibited parties in the Executive Life transactions. Based on the foregoing, the interest of Trilegiant and the public would not be adversely affected by the fact that Mr. Black and Apollo are affiliated with the upstream affiliates of Affinity Acquisition, Inc.

Safecard, CMG and Cendant

XV.

Safecard Services Insurance Company, hereinafter "Safecard", is a North Dakota domestic insurer and has a Certificate of Authority to write the property and casualty line of insurance. In 2004 Safecard reported premiums of $160,000.00 and as of December 31, 2004, the Company had admitted assets of $1,888,010.00 and surplus as regards policyholders of $1,650,410.00.

XVI.

SafeCard has four master policies that are currently in force and issued to Trilegiant Corporation: (1) Cardguard Master Policy, (2) Home Protection Master Policy, (3) Legal Services Master Policy, and (4) Safecard Master Policy.

XVII.

Safecard is a wholly owned second tier subsidiary of Cendant Marketing Group, L.L.C., hereinafter "CMG", a Delaware limited liability company.

XVIII.

CMG is a wholly owned subsidiary of Cendant Corporation, hereinafter "Cendant".

XIX.

CMG's core business activities consist of the marketing of membership, insurance, packaging and loyalty services to consumers, including individual memberships for shopping, travel, auto, credit reporting, credit card protection and other membership clubs, including credit card protection and related coverage afforded by Safecard.

Policyholder

XX.

Trilegiant Corporation, hereinafter "Trilegiant", is the sole policyholder of Safecard and is also a subsidiary of CMG.

Form A Filing

XXI.

On August 10, 2005, Affinity Acquisition, Inc., by and through its President, Marc E. Becker, and its Secretary and Treasurer, Stanly Parker, filed a statement, known as a Form A, with the Commissioner of Insurance pursuant to N.D. Cent. Code § 26.1-10-03 regarding its proposed acquisition of control of Safecard. That said statement along with supplemental information filed with the Commissioner and attested under oath by Marc E. Becker provides the information required by N.D. Cent. Code § 26.1-10-03.

Proposed Transaction

XXII.

Affinity Acquisition, Inc. will acquire indirect ownership of all of Safecard's voting securities through the acquisition of CMG from Cendant pursuant to a Purchase Agreement entered between Cendant Corporation, Affinity Acquisition, Inc. and Affinity Acquisition Holdings, Inc. dated July 26, 2005. The terms, conditions and pricing of the acquisition of CMG under and pursuant to the Purchase Agreement were the result of arm's length negotiations.

Applicant's Management

XXIII.

Marc E. Becker is the President and a Director of Affinity Acquisition, Inc. Mr. Becker did not disclose any negative history on his NAIC Biographical Affidavit filed with the Commissioner.

XXIV.

Mr. Becker describes his occupation as being a financial investor/private equity and is a partner of Apollo Management, L.P. Mr. Becker has been affiliated with Apollo since 1996 and prior to that he was employed as a financial analyst with Smith Barney. Inc.

XXV.

Mr. Becker, amongst numerous other individuals, is currently named as a defendant in a securities class action case because he signed a securities registration statement in his capacity as a director of Quality Distribution, Inc. The Plaintiff shareholders allege that materially false and misleading statements were contained in the registration statement/prospectus associated with the initial public offering (IPO) of Quality Distribution, Inc.'s stock. The basis for these allegations stem from the fact that after the IPO, the company restated the company's earnings because of irregularities that were discovered at a non-core subsidiary that were attributed to the alleged misconduct of a manager of the subsidiary. The Plaintiff's causes of action are based on alleged violations of Section 11, Section 12(a) and Section 15 of the Securities Act of 1933 and expressly exclude and disclaim any allegation that could be construed as alleging fraud or intentional or reckless misconduct on the part of Mr. Becker or the other Defendants. The claims are based solely on claims of strict liability and/or negligence under the 1933 Act. Mr. Becker and the other defendants deny any wrongdoing and the parties have reached a settlement in the matter to avoid the uncertainties and expense of litigation. The settlement is subject to the Court's approval which is expected to be granted at a hearing on October 17, 2005. The nature and the context of the allegations against Mr. Becker, taken alone, are not of such a kind as to reflect adversely upon his competence, experience, or integrity.

XXVI.

Stanly Parker is the Secretary, Treasurer and a Director of Affinity Acquisition, Inc. Mr. Parker did not disclose any negative history on his NAIC Biographical Affidavit filed with the Commissioner. Mr. Parker is an investment principal with Apollo Management, L.P. and has been with the company since August 2000. Mr. Parker was previously employed as a financial analyst with Smith Barney, Inc. from August 1998 through July 2000.

XXVII.

Upon closing of the transaction, Mr. Becker and Mr. Parker will step down as executive officers of Affinity Acquisition, Inc. and be replaced by current members of CMG's management team.

XXVIII.

Nathaniel J. Lipman, a current officer and director of CMG, is a director of Affinity Acquisition, Inc. Mr. Lipman is the current President and Chief Executive Officer of Safecard and CMG where he oversees Cendant's insurance, loyalty and membership marketing companies worldwide. Prior thereto Mr. Lipman was the President of Safecard's former parent and current affiliate, Trilegiant. Mr. Lipman will continue as the President and Chief Executive Officer of Safecard after the proposed acquisition.

XXIX.

Upon closing of the transaction, Eric L. Press and Eric Zinterhofer will become directors of Affinity Acquisition, Inc. Mr. Press is a partner of Apollo Management, L.P. and Mr. Zinterhofer is employed by Apollo Management, L.P.

XXX.

The current officers and directors and proposed directors of Affinity Acquisition, Inc. serve as directors of a wide array of public and/or private companies and possess significant corporate and commercial experience.

XXXI.

The competence, experience, and integrity of the current officers, directors and proposed directors of Affinity Acquisition, Inc. is such that it would not to be against the interest of the sole policyholder or against the interest of the public if Affinity Acquisition, Inc. is permitted to acquire control of Safecard.

Continuation of Safecard's Business

XXXII.

Following closing on the acquisition of CMG, Affinity Acquisition, Inc. will continue the operation of CMG's core businesses. With respect to Safecard, Affinity Acquisition, Inc. has no current intention of causing any changes in the business operations, corporate structure, senior management or employee base of Safecard following the proposed transaction. Safecard's current management has sufficient experience to continue operating Safecard.

XXXIII.

Affinity Acquisition, Inc. has no present plans or intentions to cause Safecard to declare any extraordinary dividend or distribution, nor does Affinity Acquisition, Inc. have plans to liquidate Safecard, sell its assets or merge it with any person.

XXXIV.

Affinity Acquisition, Inc.'s acquisition of control of Safecard is not expected to have an adverse affect on Safecard's ability to satisfy the requirements for the issuance of a certificate of authority to write the lines of insurance for which it is presently licensed.

XXXV.

If Safecard is acquired by Affinity Acquisition, Inc. as proposed in the Form A, Safecard would continue to satisfy the requirements for the issuance of a Certificate of Authority for the lines for which it is presently licensed.

Acquisition Financing

XXXIV.

The purchase price for CMG will be approximately $1.825 billion dollars and funded through: (1) a combination of preferred shares and warrants of Affinity Acquisition Holdings, Inc. issued to Cendant; (2) cash equity contributions of upstream affiliates of Affinity Acquisition, Inc.; (3) a term loan under a secured credit facility made in the lender's ordinary course of business; and, (4) senior or senior subordinated notes issued by Affinity Acquisition, Inc. or if Affinity Acquisition, Inc. is unable to issue such notes prior to the closing date, a senior subordinated bridge facility made in the lender's regular course of business. Affinity Acquisition, Inc. has requested that the identity of the lenders remain confidential pursuant to N.D. Cent. Code § 26.1-10-03(2)(b).

XXXV.

Safecard's assets are excepted from being used as security in Affinity Acquisition, Inc.'s loan facilities. Affinity Acquisition, Inc. has represented that it will not pledge, collateralize or otherwise encumber the shares or assets of Safecard in connection with its financing of the purchase of CMG or otherwise.

Applicant's Financial Status

XXXVI.

Affinity Acquisition, Inc. is a newly formed entity created for the purpose of acquiring CMG with cash equity for Affinity Acquisition, Inc. to be provided by upstream affiliates, primarily Apollo Investment Fund V, L.P. and Apollo Overseas Partners V, L.P.

XXXVII.

Apollo Investment Fund V, L.P. and Apollo Overseas Partners V, L.P., filed Financial Statements, prepared on a United States Income Tax Basis, and Independent Auditors' reports for the calendar years ending December 31, 2001, December 31, 2002, December 31, 2003, and December 31, 2004, with the Commissioner as exhibits to the Form A filing.

XXXVIII.

Unaudited Numbers as of June 30, 2005, were filed for the Apollo Group, Fund V which consists of the Apollo Investment Fund V, L.P., Apollo Overseas Partners V, L.P. and certain other related co-investment partnerships.

XXXIX.

The financial condition of Affinity Acquisition, Inc., its upstream Apollo Group V affiliates, and the financing of the acquisition of CMG are such that the financial condition of Safecard would not be jeopardized by the acquisition. Furthermore, the acquisition will not prejudice the interests of Safecard's sole policyholder Trilegiant.

Competition in Insurance and Impact on Insurance Buying Public

XL.

No other affiliate or subsidiary of Affinity Acquisition, Inc. is an insurer domiciled, licensed, or otherwise authorized to do business in North Dakota. The effect of the acquisition of control of Safecard by Affinity Acquisition, Inc. will not tend to lessen competition in insurance in this state or tend to create a monopoly therein.

XLI.

Safecard offers specialized insurance products to a single sophisticated corporate policyholder which is also controlled by CMG. The acquisition of indirect control of Safecard by Affinity Acquisition, Inc. is not deemed to be hazardous or prejudicial to the insurance buying public.

XLII.

Trilegiant, Safecard's sole policyholder, supports the proposed acquisition. Affinity Acquisition, Inc.'s plans for Safecard are not unfair and unreasonable to Trilegiant and are not against the public interest.

Department's Recommendation

XLIII.

Tim Hill, the Financial Analyst with the North Dakota Insurance Department, reviewed the Applicant's Form A filing and supplemental filings.

XLIV.

Mr. Hill, on behalf of the Insurance Department, considered the criteria outlined in N.D. Cent. Code § 26.1-10-03(4)(a) through (f) and concluded that there was no basis for disapproving the proposed acquisition of control and recommended that the acquisition of control of Safecard by Affinity Acquisitions, Inc. be approved.

CONCLUSIONS OF LAW

1. The Commissioner of Insurance has jurisdiction over the proposed acquisition pursuant to N.D. Cent. Code Chapter 26.1-10.

2. The Applicant has met the procedural requirements of N.D. Cent. Code Chapter 26.1-10 with regard to seeking and receiving approval of the proposed acquisition of control of a domestic insurance company.

3. The hearing in this matter has been duly waived and that an order approving or disapproving the proposed acquisition may be issued based upon the Form A and supplemental materials filed with the Commissioner by the applicant and Department staff.

4. The Commissioner shall approve an acquisition of control governed by N.D. Cent. Code § 26.1-10-03 unless the Commissioner finds that:

   a. After the change of control, the domestic insurance company would not be able to satisfy the requirements for the issuance of a Certificate of Authority to write the lines of insurance for which it is presently licensed.

   b. The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly therein.

   c. The financial condition of any acquiring party might jeopardize the financial stability of the insurance company or prejudice the interest of its policyholders.

   d. The plans or proposals which the acquiring party has to liquidate the insurance company, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the company and not in the public interest.

e. The competence, experience, and integrity of those persons who would control the operation of the insurance company are such that it would not be in the interest of policyholders of the company and of the public to permit the merger or other acquisition of control.

f. The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

5. Based on the Findings of Fact, there is no basis upon which the proposed acquisition of Safecard by Affinity Acquisition, Inc.'s may be denied.

NOW, THEREFORE, based upon the Recommended Findings of Fact and Conclusions of Law herein, Charles E. Johnson hereby recommends to the Commissioner of Insurance that he adopted the Findings of Fact and Conclusions of Law and enter an Order as follows:

RECOMMENDED ORDER

The proposed acquisition of Safecard Services Insurance Company by Affinity Acquisition, Inc. under the provisions of the Form A Statement Regarding the Acquisition of Control or Merger with a Domestic Insurer filed with the Commissioner of Insurance is **APPROVED.**

The Commissioner of Insurance will retain jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further order or orders as may be deemed proper.

DATED this 28th day of September, 2005.

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